

No. 22116
No. 22116-A

IN THE
United States Court of Appeals
for the Ninth Circuit

MISTER DONUT OF AMERICA, INC.,
Appellant,

vs.

MR. DONUT, INC., et al,
Appellees.

MR. DONUT, INC., et al,
Appellants,

vs.

MISTER DONUT OF AMERICA, INC.,
Appellee.

DEFENDANTS-APPELLEES' BRIEF

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INTRODUCTION

In this case plaintiff-appellant Mister Donut of America, Inc. presents for review a judgment of the District Court dismissing its complaint and supplemental complaint for trademark infringement, unfair competition and dilution of plaintiff's trademarks (Appeal No. 22116), and defendants-appellees Mr.

Donut, Inc. et al have appealed from the failure of the District Court to award them their attorney's fees under Title 15 U.S. Code 1120 (Appeal No. 22116-A).

This Brief is common to both appeals in accordance with the Order of this Court filed January 19, 1968. In this Brief plaintiff-appellant is referred to as "plaintiff" and defendants-appellees as "defendants." Citations of record are the same used by plaintiff in its Brief.

STATEMENT OF THE CASE

Defendants Mr. Donuts, Inc., et al are in general agreement with Plaintiff-Appellant's Brief so far as the Jurisdictional Statement and Proceedings Below are concerned. Defendants, however, wish to supplement the Statement of Facts as follows:

PLAINTIFF'S PURCHASE OF THE RAGSDALE REGISTRATION

As indicated in Plaintiff-Appellant's Brief, plaintiff's attorneys learned of the Ragsdale Registration No. 427,509, in August 1955 when plaintiff's application for registration of Mr. Donut was rejected on the basis of the prior Ragsdale registration. Upon being apprised of the Ragsdale registration, plaintiff's attorneys paid \$100.00 for an assignment thereof from Ragsdale's widow (R. 78). *So far as the record is concerned, plaintiff made no investigation whatever as to whether or not the Ragsdale estate was at the time of such assignment still actually using the trademark of the Ragsdale registration.*

ARGUMENT

Re Specification Of Error 1

“1. The trial court erred in not finding that the use of Mister Donut and Mr. Donut respectively by plaintiff and defendants in operating and franchising donut shops is likely to cause confusion or mistake.”

So far as defendants understand the above specification of error, plaintiff contends that the District Court refused to find infringement because it erroneously believed competition to be necessary for finding infringement, whereas the real test of infringement is confusion or likelihood of confusion of the marks.

Defendants submit that plaintiff's reasoning is both illogical and unsound. Whether or not the District Court made a finding regarding confusion was immaterial to its final holding of non-infringement. This is true because the Court held non-infringement on two grounds. First, because defendants established a defense under 15 U.S.C. 1115(b) (5), and secondly, on the basis that defendants' activities were and are outside the Lanham Act. The fact that confusion was likely or even that confusion actually exists has no legal significance under these circumstances.

Re Specification Of Error 2

“2. The trial court erred in not finding that plaintiff's prior adoption and continuous use of Mister Donut and Mr. Donut beyond the limits of California entitled it to preclude use of Mr. Donut in California by defendant under the law of California.”

It would have indeed been unusual for the trial court to find for plaintiff under California law inasmuch as *plaintiff neither during the trial nor in its extensive brief submitted after trial cited any fact or law even urging such a holding*. Instead, plaintiff saved this line of argument for this Court.

However, even had plaintiff urged California law at the trial of this case the results would not have been affected.

As this Court pointed out in the *Stork Restaurant* case relied upon by defendants, the trademark provisions of California law are in accord with the general law. The general law on this subject was stated by this Court in *Tillman and Bendel v. California Packing Corporation*, 63 F.2d 498 (1933) as follows:

“The very decisions that hold the prior appropriator’s trade-mark rights to be paramount, as quoted above, contain a limitation that precludes the appellant’s assertion of those rights in the east. For example, in the *Rectanus Case*, *supra*, we find the qualification thus stated, at page 100 of 248 U.S., 39 S. Ct. 48, 51: ‘The reason for the rule does not extend to a case where the same trade-mark happens to be employed simultaneously by two manufacturers in different markets separate and remote from each other, so that the mark means one thing in one market, an entirely different thing in another. It would be a perversion of the rule of priority to give it such an application in our broadly extended country that an innocent party who had in good faith employed a trade-mark in one state, and by the use of it had built up a trade there, being the first appropriator in that jurisdiction, might afterwards be prevented

from using it, with consequent injury to his trade and good will, at the instance of one who therefore had employed the same mark but only in other and remote jurisdictions, upon the ground that its first employment happened to antedate that of the first-mentioned trader.’

The application of this geographical rule is even more fully expounded in the Hanover Case, supra, at page 415 of 240 U.S., 36 S. Ct. 357, 361; ‘In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant; unless, at least, it appears that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.’”

Applying the above law to the facts in the present case, defendants began using the Mr. Donut mark in California prior to the time they had actual or constructive notice of plaintiff’s use thereof. Accordingly, under California law, defendants cannot now be precluded from further use of such mark.

The facts in the *Stork Restaurant* case relied upon by plaintiff differed from the facts in this case in that the original New York night club was known to many people from San Francisco who had patronized such New York club. The same is true with respect to the *Brooks Brothers* case cited by plaintiff, the Court holding that extensive advertising of the

first user's mark in California made the name known in California prior to the time the second user adopted such name.

Re Specification Of Error 3

"3. The trial court erred in not finding plaintiff's operation and franchising of donut shops in California and other states under its valid federally registered mark MISTER DONUT entitled it to preclude further intrastate use by defendants of a confusingly similar mark."

Specification of Error 3 is apparently directed at Conclusion of Law 5 wherein the District Court held that under the authority of *Fairway Foods, Inc. v. Fairway Markets, Inc.*, 227 F.2d 193 (9th Cir. 1955) defendants' activities were and are outside the Lanham Act because they do not affect interstate commerce. The *Fairway* case sets forth the controlling law in this circuit and the facts therein are virtually identical to the facts in the present case.

In the *Fairway* case the plaintiff urged unfair competition and infringement of its eight federally registered trademarks for "Fairway." The Plaintiff sold foodstuffs to over 1250 "Fairway" stores in over 1000 cities and towns in Minnesota, North and South Dakota, Wisconsin, and Iowa, but not in California, although it purchased foodstuffs under its label "Fairway" from California suppliers. Its 1250 "Fairway" stores included licensee stores which were generally small, independent owner-operated markets identified as "Fairway" markets and the like. Defendants, *after* plaintiff's use of the word "Fairway," began to use the word "Fairway" to identify its

retail food market in Monterey Park, California and used the word "Fairway" on delicatessen wrappings. Defendant's adoption of "Fairway" was without actual knowledge of plaintiff's prior use. This Court did not find unfair competition by defendant, based upon the fact that neither party sells or tries to sell or offers to sell anything within the same territory, that is, there was no competition.

This Court then examined the question as to whether, under the Trademark Act of 1946 (15 U.S.C.A. Section 1051 et seq.), plaintiff was entitled to exclusive use of the word "Fairway" throughout the entire country and found that plaintiff was not, stating: (Page 256)

"While it is true that activities which in isolation might be deemed local, may affect commerce due to interlacings of business across state lines, in absence of a showing that the business is a part of a coordinated interstate system substantially affecting commerce, the activities of retail grocers purchasing and selling their wares exclusively intrastate are not a permissible field for Congressional regulation under the Commerce power.

The finding of the district court in our case was that '[d]efendants purchase all of their food and other products and sell all of their food and other products, within the County of Los Angeles, State of California. Defendants advertise exclusively to the buying public located in the County of Los Angeles, State of California, and said advertising is conducted exclusively through local newspapers, throw-sheets, post cards, radio broadcasts, promotional sales and other advertising made, published or circulated within said County.' "

The similarity of the facts in the present case to that in the *Fairway* case will be made apparent by Finding of Fact 19 reproduced herebelow:

“19. Defendant Mr. Donut, Inc.’s seven shops are each located in Orange County, California, and all of the equipment and supplies used in the shops have been and are purchased exclusively in the counties of Orange and Los Angeles, California. All of defendants’ products have been sold exclusively in Orange County, California. All advertising for defendants’ shops has been limited to the Orange County area and no attempt has ever been made to attract customers from any area other than Orange County. Defendants’ shops are each located on local streets which are not Federal or State marked highways. Most of the customers at defendants’ shops are regular or repeat customers and many of the few customers driving to defendants’ shops in automobiles bearing non-California license plates are regular customers. The defendants’ shops normally cater to customers within a radius of about four (4) miles.”

On the basis of the facts set forth in Finding 19 the District Court held in Finding 22 that:

“Defendants’ business is strictly local in nature and does not affect interstate commerce.”

In accordance with F.R.C.P. Rule 52 (a), Findings of Fact 19 and 22 should not be set aside by this Court unless clearly erroneous. Plaintiff has failed to establish these findings as being in error and accordingly such findings should be upheld. This case therefor comes directly within the doctrine of the *Fairway* case whereby the District Court properly concluded the Lanham Act did not apply.

Re Specification of Error 4

“The trial court erred in not finding the recorded assignment of MR. DONUT Ragsdale registration to plaintiff and plaintiff’s pending applications for federal registration of MISTER DONUT at the time defendants first used MR. DONUT were constructive notice of plaintiff’s claim to MR. DONUT under the Lanham Act.”

As a basis for the above specification of error, plaintiff contends that defendants had constructive knowledge of plaintiff’s use of the mark Mr. Donut, because at the time defendants first used the mark, “publicly available records in the Patent Office showed that the plaintiff claimed ownership of the trademarks Mr. Donut and Mister Donut.” The statute controlling the nature of “publicly available records” which may be relied upon as giving constructive notice is set forth on Page 22 of plaintiff’s Brief, i.e. 15 U.S.C. 1115(b).

Referring to section 15 U.S.C. 1115 (b) it will be noted that the words “*prior to registration of the mark under this Act or publication of the registered mark under subsection C of section 12 of this Act*” clearly set forth which “publicly available records in the Patent Office” provide constructive notice of ownership of a trademark. In view of the clear language of this code section, defendants cannot understand how plaintiff can conscientiously contend that in addition to the records designated in such code section, the public should also be required to investigate assignment records and/or publication of unregistered marks. The unsoundness of plaintiff’s contention is

evidenced by its failure to cite any case authority for its position.

Re Specification Of Error 5

“The trial court erred in holding defendants may open or franchise donut shops in areas other than that trade area in which they operated before issuance of plaintiff’s federal registration for MISTER DONUT.”

As the basis for the above specification of error plaintiff relies upon the fifth defense under 15 U.S.C. 1115(b) providing that the defenses are available only for the area for which such continuous prior use is proved. This argument, however, completely ignores the fact that the analogous prior decisions hold the first user of a trademark within a state obtains *state-wide* protection for a mark, *Federal Glass Co. v. Loshin*, 224 F.2d 100 (CA2 1955). *Western Oil Refining Co. v. Jones*, 27 F.2d 205. There is no reason why the same rule should not apply in this case.

The *Food Center Inc.* case cited by plaintiff at Page 29 of its Brief, is not in point since in that case the plaintiff and defendant both utilized the term Food Fair as part of their trademarks. In prior litigation, plaintiff was permitted to use Food Fair only when prefaced by a descriptive word, but no restriction was placed on defendant’s use of Food Fair. Plaintiff then continued to do business in Eastern Massachusetts. Fifteen years later defendant acquired sites in Western Massachusetts in order to open additional Food Fair stores. Plaintiff then attempted to stop such expansion by defendant. Defendant counter-

claimed for an injunction against plaintiff's use of the term Food Fair. The Court dismissed both the Complaint and the Counterclaim holding that plaintiff's area of use was limited to Western Massachusetts.

In the present case, plaintiff contends that the contemporary use of Mr. Donut and Mister Donut by plaintiff and defendants is likely to result in confusion. Defendants stipulate that at least at the retail level confusion is likely. Accordingly, since the Southern California area is rapidly becoming a megalopolis, it is only logical that defendants "area" as defined by 15 U.S.C. 1115(b) be designated the entire Southern California area. In this regard, defendants fully intend to expand within the Southern California area but have held off such expansion pending the outcome of this lawsuit.

Re Specification Of Error 6

"6. The trial court erred in not holding a recorded assignment from the record title holder of the trademark MR. DONUT and its federal registration 427,509 together with the good will represented thereby at a time when the mark was in active use for valuable consideration conveys good title in the trademark to plaintiff in the absence of an actual transfer of physical assets."

As the basis for the above specification of error, plaintiff contends that even though it did not acquire goodwill in its purchase of the Ragsdale registration, the assignment was not void because the prior purchaser of the trademark and goodwill was at the time generating goodwill. This contention is completely

at odds with well-established trademark law holding that an assignment in gross serves as an abandonment of a trademark. This doctrine is succinctly set forth at Page 187 of Trademark Law and Procedure published 1959 by the Bobbs-Merrill Co., Inc., as follows:

“There are no rights in gross in marks. Marks cannot exist apart from the goodwill of the business with which they are associated (citing cases). If the mark and the goodwill of the business which it represents are separated, the rights in the mark are destroyed. This is sometimes referred to as an abandonment, but strictly speaking it is not an abandonment because an essential element of abandonment is an intention to abandon which is not present in the situation of an invalid assignment. However, the principal effect is the same; namely cutting off the ability to protect the mark against others * * *

For the assignment to be valid, there must be an effective transfer of the goodwill from the assignor to the assignee. The mere recitation in a contract of assignment of the transfer of the goodwill is insufficient where the surrounding circumstances indicate that the goodwill in fact was not transferred to the assignee. (Citing cases) * * *

To the same effect are the cases holding, that where a company has ceased doing business and no longer has any goodwill to transfer, the assignment of the mark is ineffective. (citing cases)”

Lest there be any doubt that the Lanham Trademark Act of 1952 made any change in this doctrine, this Court’s attention is respectfully directed to the following language from *Uncas v. Clark and Coombs*;

DC D. Rhode Island; (200 F supp. 831 1962):

“The Lanham Act, 15 U.S.C. § 1060, provides that a trademark shall be legally assignable only ‘with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark * * *,’ Goodwill being inseparable from the business with which it is associated, this requirement of the transfer of goodwill restates the common law rule that a trademark can only be transferred with the business or part of the business connected with the use of and symbolized by such mark.

The assignment of December 5, 1958 to the plaintiff purported to include ‘the goodwill of the business’ in connection with which said trademark was used. As hereinbefore recited, the testimony established beyond doubt that no part of the ring business, formerly owned by Griffith, was transferred with said assignment. In fact, there was no ring business to be transferred. At the time of said assignment Irons and Russell was not engaged in the ring business and had already sold all the ring tools, dies and inventory of said business and divested itself of the sample board used by Griffith when it was engaged in that business.

The assignment of the trademark was, despite said recital, obviously an assignment in gross and was legally void. Hence, it conferred no rights upon the plaintiff. *United Drug Company v. Theodore Rectanus Company*, 248 U.S. 90; *American Broadcasting Co. v. Wahl Co.*, 121 F.2d 412, 50 USPQ 156; *Holly Hill Citrus Growers’ Assn. v. Holly Hill Fruit Products, Inc.*, 75 F.2d 13, 24 USPQ 229; *National Mineral Co. v. Bourjois, Inc.*, 62 F.2d 1, 15 USPQ 248; *Sexton Mfg.*

Co. v. Chesterfield Shirt Co., 24 F.2d 288; President Suspender Co. v. Mac William, 238 F. 159, cert. den'd, 243 U.S. 636; Macmahan Pharmacal Co. v. Denver Chemical Mfg. Co., 113 F. 468; Nettie Rosenstein, Inc. v. Princess Pat., Ltd., 220 F.2d 444, 105 USPQ 226; LaFayette Brewery, Inc. v. Rock Island Brewing Co., 87 F.2d 489, 32 USPQ 391; E. Leitz, Inc. v. Watson, 152 F. Supp. 631, 113 USPQ 409, aff'd 254 F.2d 777, 117 USPQ 13; Stern Apparel Corporation v. Raingard, Inc., 87 F. Supp. 621, 83 USPQ 293; Reconstruction Finance Corp. v. J. G. Menihan Corp., 28 F. Supp. 920, 42 USPQ 504; Restatement of Torts, sec. 755."

See also *Scott v. Annapolis Electroacoustic Corp.*, DC Md 195 F Supp 208 (1961).

The doctrine set forth in the *Uncas* case is so well established that it is seldom questioned and accordingly defendants could not locate any circuit court decisions subsequent to the date of the *Uncas* decision.

Applying the above law to the facts of the present case, Ragsdale sold his entire doughnut shop business to Cohen and his associates on or about February 14, 1951. Thereafter, this business was operated by Mrs. Ziebell continuously until 1959 in conjunction with the Ragsdale trademark. Accordingly, when plaintiff purchased the Ragsdale registration in 1956, there was no goodwill or any other part of the Ragsdale business that was transferred with this Assignment. Under these circumstances, the Assignment from Ragsdale's widow to plaintiff of the Ragsdale mark was an assignment in gross and hence void. Since this assignment was void, plaintiff cannot be termed an "assignee" of the Ragsdale mark or its registration

so as to claim the constructive notice benefit of 15 USC 1072.

If any further argument is required to establish that plaintiff received nothing from the assignment of the Ragsdale mark, it should be noted that *the Ragsdale mark was abandoned before it was even purportedly assigned to plaintiff*. 15 USC 1127 holds that a prima facie abandonment of a mark takes place upon non-use for two consecutive years.

“Abandonment of mark. A mark shall be deemed to be ‘abandoned’ —

(a) when its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Non-use for two consecutive years shall be prima facie abandonment.”

As noted hereinbefore, Mrs. Ziebell testified that after Ragsdale’s sale of his doughnut operation on or about February 14, 1951, he did not again engage in the sale of doughnuts, and that he died within two years after this sale. Thus, defendants provided evidence of a prima facie abandonment of the Ragsdale mark prior to the purported assignment thereof to plaintiff in July 1956. This evidence was not rebutted by plaintiff.

To rebut the clear evidence of abandonment of the mark established by defendants, plaintiff in its Brief attempts to convince this Court that the notice provision of 15 USC 1060 with respect to assignments in some manner validates the assignment of the Ragsdale mark to plaintiff. This argument is completely fallacious, since this section of the statute is merely

a typical first-to-record type of provision which protects a good faith purchaser of a trademark registration against the claims of a prior purchaser who failed to record his proper assignment. Plaintiff also contends in its Brief that it was entitled to the goodwill being generated in the Ragsdale mark by Mrs. Ziebell's use of such mark. This is indeed a unique concept and it is not surprising plaintiff cannot cite any law in support thereof.

As authority for plaintiff's contention that the assignment of the Ragsdale registration was valid, plaintiff's Brief cites *J. C. Hall v. The Hallmark Cards, Inc.* The facts in the *J. C. Hall* case, however, are completely at odds with the facts in the present case. *The J. C. Hall* case involved a trademark opposition before the Patent Office. The opposer relied solely upon testimony that the original trademark owner employed an intermediary to obtain the assignment of the registration, that this intermediary did not receive any records, etc. and that he held the registration for only one day before assigning it to the trademark owner. There was no lack of use of the mark by the trademark owner for a period of approximately five years as in the present case.

The *Black Panther* case cited by plaintiff is also of no importance in the present situation. In *Black Panther* there was a period of non-use of one month. Similarly, the *Hy-Cross Hatchery* case does not aid plaintiff since it concerns a cancellation proceeding in the Patent Office. The *Blanchard* and *Cortes* cases cited in plaintiff's Brief are likewise of no importance in the present situation. *Blanchard* was another

trademark cancellation case in the Patent Office and it holds that where goods were being sold to the general public and there was no customer list it would not be necessary to include a customer list in the trademark assignment. The *Cortes* case was a trademark opposition in the Patent Office and merely stands for the proposition that one opposing a trademark registration must overcome by competent evidence a trademark owner's prima facie contention of assignment validity.

Plaintiff further contends that defendants are trying to escape the consequence of their infringement by relying upon negligence of Mrs. Ziebell in not registering an assignment of the Ragsdale registration in the Patent Office,

“while the plaintiff was in fact diligent and did everything it could to locate the registration owner and acquire proper record title.”

This argument of course conveniently overlooks plaintiff's complete lack of diligence in failing to determine the true status of the Ragsdale doughnut operation at the time it obtained an assignment of the Ragsdale mark, despite the fact that plaintiff at that time employed competent trademark attorneys. Even a simple investigation by such attorneys would have uncovered the fact that Ragsdale had sold his doughnut operation in 1951 and that it was then being conducted by Mrs. Ziebell. Plaintiff then could have obtained a valid assignment from Mrs. Ziebell. Assuming, however, that both Mrs. Ziebell and plaintiff were negligent it would be inequitable to penalize defendants herein for such negligence.

Re Specification Of Error 7

“The trial court erred in presumably holding that actual competition between the parties is necessary in establishing infringement of a federally registered trademark.”

Specification of Error 7 is apparently a restatement of Specification of Error 1. Accordingly, defendants incorporate herein by reference their remarks pertaining to Specification of Error 1.

Re Specification Of Error 8

“The trial court erred in not holding the prima facie valid records of the Patent Office in 1956 showing as assignment of MR. DONUT Registration 427,509 to plaintiff bars a defense of good faith adoption in October 1957 of the same mark by defendants.”

Specification of Error 8 is apparently a restatement of Specification of Error 4. Accordingly, defendants incorporate herein by reference their remarks pertaining to Specification of Error 4.

Re Specification Of Error 9

“9. The trial court erred in not holding that plaintiff’s rights in the Ragsdale trademark MR. DONUT and its registration were superior to those of Jean Ziebell because plaintiff was a bona fide purchaser for valuable consideration who recorded an assignment under 15 U.S.C. §1060.”

Specification of Error 9 is apparently a restatement of Specification of Error 6. Accordingly, defendants incorporate herein by reference their remarks pertaining to Specification of Error 6.

Re Specification Of Error 10

“10. The trial court erred in not holding the plaintiff, who now operates or franchises 200 MISTER DONUT Shops from Massachusetts to California, is entitled to an injunction against defendants’ operation and franchising of seven MR. DONUT Shops in Orange County, California, where plaintiff adopted and used the mark MISTER DONUT in interstate commerce in 1955, took all steps possible to assert ownership of this mark, including the purchase and recording of an assignment in the United States Patent Office in 1956 of a MR. DONUT registration, the filing of three applications for federal registration in 1955 and 1957 (two of which now have matured into incontestable registration), and the obtaining of numerous state trademark registrations, and where defendants long afterwards adopted without investigation the confusingly similar mark MR. DONUT without any prior investigations, and are using it in a manner which actually damaged plaintiff and confuses the public.”

The only serious contention appearing in Specification of Error 10 not covered in defendants’ preceding arguments is the reference to the fact that two of defendants’ registrations are incontestable. Plaintiff’s reference to incontestability is of no importance since *the incontestability provision of 15 U.S.C. 1065 is a defensive provision and has no offensive effect whatsoever*. All that such incontestability affords is a guarantee that in the absence of fraud plaintiff’s registration cannot be cancelled in a cancellation proceedings before the Patent Office. This law is well-settled in this circuit and this Court’s attention is

respectfully directed to *Tillamook County Creamery Association v. Tillamook Cheese and Dairy Association*, 345 F.2d 158 decided by this Court in April 1965. The following language is apposite:

“The provision relating to incontestability is a defensive provision; it has no offensive effect. If plaintiff has attained incontestability of its mark, its registration could not be cancelled by a proceeding to cancel the same. But this does not aid the plaintiff in any claim that it has an exclusive right to the name or mark or that it may rely on the same as a basis for an injunction against the defendant. In John Morrell & Co. v. Reliable Packing Co., 7 Cir., 295 F.2d 314, 316, 131 USPQ 155, 156-157, the court said of incontestability: ‘This section (15 U.S.C. § 1115) was intended to protect a registrant from having its mark cancelled by a prior user claiming superior rights.’ The court then went on quoting from other authority: ‘These statements seem to reflect a misconception of the effect of a registration of a mark, the right to the use of which has become incontestable. The effect of “incontestability” is a defensive and not an offensive effect.’” (Emphasis added)

THE DISTRICT COURT ERRED IN NOT AWARDING DEFENDANTS THEIR ATTORNEYS' FEES INCURRED IN DEFENDING THIS ACTION.

As a basis for their request for attorneys' fees, defendants relied upon 15 USC 1120.

According to 15 USC 1120:

“Any person who shall procure registration in the Patent Office of a mark by a false or fraudulent declaration or representation, oral or in

writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.”

The leading case interpreting the above code section is *Academy Awards Products, Inc. v. Bulova Watch Co., Inc.*, 233 F.2d 449 (CA 2) 1956. In this case, the Second Circuit Court of Appeals affirmed the District Court’s award of reasonable attorneys’ fees incurred in defending a charge of trademark infringement where the trademark registration was obtained through false statements made to the Patent Office. The citation of the District Court’s decision is 129 F supp. 780.

In the *Academy* case the details of the plaintiff’s false statements made to the Patent Office are set forth in a cancellation proceeding before the Patent Office; *Academy of Motion Picture Arts and Sciences v. Academy Award Products, Inc.*, 89 USPQ 451 (No federal citation available). The latter decision lists several examples of the activities relied upon by the plaintiff in falsely obtaining its registration. Some of these activities are detailed herebelow:

“The testimony makes it plain that Moore was the only person who conducted any business transactions for the respondent company and that any sales upon which the trademark registrations are based are sales conducted by Moore * * * In proceeding with the plan to do everything necessary to obtain trademark registrations, Moore acquired over a period of time a large number, between 55 and 60, of different articles. Most of these were purchased over the counter at different places, such as department stores, hardware

stores, five and ten-cent stores, and drug stores, and a few were acquired otherwise. Most of the articles were then individually wrapped in paper, and a gummed label bearing the words 'Academy Award' placed on the wrapping. * * * This collection of articles was loaded into a sedan car; some were packed on the rear seat, some were put under the hood in the back, and some were tied on top. The car was driven to Secaucus, New Jersey, and the articles were personally delivered by Moore to Benjamin Doktor."

"Moore also stated that no sales of merchandise were made by anybody else since he handled all the sales personally as he was engaged '*to validate the trademarks and do everything necessary to come under the law in applying for them and securing them*.'" (Emphasis added)

A comparison of the above-quoted language with the trial testimony of plaintiff's President David Slater relating how plaintiff's predecessor sought to establish early trademark rights will make it clear that the facts were the same in this case as in the Academy Award case:

- "Q. You mentioned that Harwin purchased doughnuts from someone, boxed them and sold them under the name Mister Donut in August of 1955, is that correct?
- A. That is correct, spelled both ways, Mr. and and Mister.
- Q. You further stated that some of these sales took place in interstate commerce.
- A. That is correct.
- Q. Does that mean that some of these doughnuts were sold in a state other than Massachusetts?
- A. That is correct.

Q. Were they sold in stores in a state other than Massachusetts? By that I mean a market or retail outlet.

A. No, they were sold to individuals outside of Massachusetts.

Q. How were these individuals apprised of the fact that these doughnuts were on sale?

MR. WOLF: Your Honor, I would object —

THE COURT: Overruled. This is very crucial.

THE WITNESS: The sales, to the best of my recollection, were arranged through the office of David Wolf. And they were transported by Mr. Winokur out of the state and sold.

BY MR. UTECHT:

Q. *Then these sales were contrived by Mr. Wolf, your trademark attorney, to establish your earliest rights —*

A. *Exactly right.*

Q. — to the word ‘Mister Donut’?”

(R.T. 184, 195) (Emphasis added)

The law of the *Academy Award* decision has recently been affirmed by the District Court, S.D. New York in *Merry Hull & Co. v. Hi-Lin Co.*, 243 F. Supp 45 (July 1965).

From the above-quoted testimony of plaintiff's President it will be clear that plaintiff relied upon the contrived sales of doughnuts in August 1955 as establishing its earliest trademark rights. To determine whether or not plaintiff procured its registrations relied upon in this action by a false declaration of representation or by any false means so as to come

under the sanctions of 15 U.S.C. 1120, it is necessary to examine plaintiff's registrations. These registrations are as follows:

1. MR. DONUT Registration No. 427,509
Registered February 11, 1947 by Finis L. Ragsdale
First use — February 14, 1946
Covers Donuts.
2. MISTER DONUT Registration No. 683,370
Registered August 11, 1959
First Intrastate use — August 18, 1955
First Interstate use — August 18, 1955
Covers flour, filling and jellies for donuts, coffee and vegetable shortening.
3. MISTER DONUT Registration No. 668,784
Registered October 28, 1958
Covers Snackbar services
First Intrastate use — August 16, 1955
First Interstate use — August 16, 1955
4. Grotesque figure of animated donut
Registration No. 673,298
Registered January 27, 1959
Covers Snackbar services
First Intrastate use — August 16, 1955
First Interstate use — August 16, 1955

It will be noted that of the three above-listed registrations, only the Ragsdale registration 427,509 covers doughnuts per se. Plaintiff, however, did not apply for such registration and accordingly the first sales of doughnuts referred to by plaintiff's President Slater would apply only to one or more of the other

three registrations so far as a declaration of first use is concerned. It should be carefully noted that *none of these three registrations cover the sale of doughnuts per se*, rather, they cover snackbar services and donut ingredients. Thus, *plaintiff could not rely upon the August 1955 contrived sales of doughnuts for the August 1955 intrastate and interstate uses set forth in its three trademark registrations.*

The question then presented is upon what facts did plaintiff rely upon in making its declaration of first use when filing its trademark registrations?

Referring first to Registration No. 683,370 covering flour, filling and jellies for donuts, coffee and vegetable shortening, a first interstate use of August 18, 1955 was declared in applying for such registration. Yet, as evidenced by the testimony of plaintiff's President David Slater at the trial, plaintiff's first shop outside the state of Massachusetts (i.e. in New York) *was not even opened until October 1957* (Finding 8, R. 578). Slater further testified that the coffee, doughnut flour, etc. would not have been purchased until a week or two prior to the opening of plaintiff's various stores. Specifically, Slater testified:

“Q. The first purchase by the first store would have been within a week or two of the opening of the store.

A. That is correct.

Q. How about the doughnut flour?

A. The same thing would apply to all the products. * * *

Q. All right. Harwin didn't arrange for any of these sales of coffee, flour, doughnut filling,

jelly or vegetable shortening until just prior to the opening of that first store in November of '55.

A. Except for the sale of the doughnuts I described before. * * *

THE COURT: He is asking about the raw materials —

THE WITNESS: The raw materials, right. That is correct.” (R.T. 178, 179)

From the above testimony it will be clear that plaintiff was not entitled to claim a first interstate use for Registration No. 683,370 until just prior to the opening of the first shop outside Massachusetts, i.e. *just prior to October 1957*. Yet, the declared first interstate use of Registration No. 683,370 was *August 18, 1955*. Thus, plaintiff made a false representation of its first interstate use in obtaining Registration No. 683,370.

In fact, even the interstate date of August 16, 1955 was false since Slater testified at the trial that plaintiff's very first shop anyplace did not open until November 1955. Thus, if the sale of the donut ingredients did not take place until a week or two prior to November 1955 the declared intrastate use date of August 16, 1955 was also false.

Turning now to plaintiff's Registration Nos. 673,298 and 668,784 for snackbar services, plaintiff's first shop outside Massachusetts did not open until October 1957. Yet the first interstate use declared in both of these registrations is August 16, 1955. Accordingly, the first actual use of the trademarks covered by these registrations for snackbar services did not take place until October 1957. Plaintiff contended, however,

that even though the first actual use did not take place until October 1957, newspaper advertising, radio commercials and roof signs showing plaintiff's mark would have taken place just prior to the opening of these shops (R.T. 199, 200). Since the first shop outside Massachusetts did not open until October 1957, however, such use did not occur until *just prior to October 1957, and hence the first interstate use date of August 16, 1955 was falsely declared.*

From the above discussion it will be clear that the facts in this case are on all-fours with the facts in the *Academy of Motion Picture Arts and Sciences* case. Plaintiff admittedly contrived the sale of doughnuts in interstate commerce in August 1955. This sale of doughnuts, even if bona fide, could not be relied upon as establishing a first interstate use of August 1955 for Registration No. 683,370 covering flour, filling and jellies for donuts, coffee and vegetable shortening, since the mere sale of doughnuts would not justify claiming a sale of flour, fillings and jellies for doughnuts, coffee and vegetable shortening. The first possible interstate use of the mark for flour, fillings and jellies for doughnuts, coffee and vegetable shortening was just prior to the opening of plaintiff's first shop outside Massachusetts in October 1957. Thus, plaintiff's predecessor made a false declaration of first interstate use in obtaining Registration No. 683,370.

Similarly, plaintiff clearly falsely represented a first interstate use of August 16, 1955 for its Registration Nos. 668,784 and 678,298, since no interstate use whatever could have occurred prior to just before

October 1957. Plaintiff, however, falsely declared a first interstate use of August 16, 1955 for both of these marks.

In this case, just as in the *Academy case*, defendants should be awarded their damages sustained in consequence of plaintiff's false declarations in accordance with 15 U.S.C. 1120. Such damages consisted of defendants' attorneys fees incurred in defending this lawsuit. Conclusion of Law 11 which holds plaintiff's Registrations Nos. 683,370; 673,298; and 668,784 were neither false nor fraudulent was clearly erroneous and that portion of the Judgment based thereon should be reversed, with the case being remanded to the District Court for accounting of defendants' damages.

Dated: March 13, 1968.

Respectfully Submitted

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

Francis A. Utecht